

STATE OF CALIFORNIA  
DEPARTMENT OF CORPORATIONS

TEXT OF PROPOSED CHANGES  
UNDER THE CORPORATE SECURITIES LAW OF 1968  
PURSUANT TO NOTICE  
DATED: January 13, 1999

1. Section 260.210 is amended to read:

260.210. Agent Procedures for Broker-Dealers.

The procedures set forth in this section are applicable to broker-dealers licensed pursuant to subdivisions (a) and (b) of Section 25211 of the Code.

(a) Upon employment of an individual as an agent, a broker-dealer shall (1) obtain a properly executed application for registration, on the Uniform Application for Securities Industry Registration and Transfer Form ("Form U-4"), (2) obtain for its records, evidence that such agent meets the qualification requirements of Section 260.217 of these rules, and (3) ascertain (by investigation) the character, business reputation and experience of any individual, prior to executing any transaction on behalf of the broker-dealer. Evidence of compliance with Section 260.217 and investigation of the agent, shall be maintained as a part of the records of the broker-dealer as required by Sections 260.241 and 260.241.1 of these rules.

(b) A broker-dealer who registers its agents with the National Association of Securities Dealers Regulation, Inc. (the "NASDR"), shall:

(1) Upon the employment of an individual as an agent, file the Form U-4, through the Central Registration Depository (the "CRD") of the NASDR in accordance with its procedures, and pay, for transmission to the Commissioner, the fees prescribed by Section 260.608.2(a) of these rules. The filing of Form U-4 with the CRD does not constitute an automatic approval

1 “approval” through the CRD. Broker-dealers should not consider an agent ~~registration~~  
2 “registration” through the CRD approved until such approval has been received through the  
3 CRD. If requested by the Commissioner, additional information, documentation or details  
4 pertaining to the Form U-4 or properly executed fingerprint cards of the agent must be filed  
5 directly with the Commissioner within 15 days from the date of the request. In accordance with  
6 Section 250.16, the Form U-4 may be abandoned if the Commissioner does not receive the  
7 requested information within the time prescribed. The Commissioner shall “reject” through the  
8 CRD an abandoned Form U-4.

10 (2) An agent registered through the CRD may comply with the requirements of this  
11 subsection through participation in the “Relicensing” program (the Relicensing program was  
12 formerly known as “Temporary Agent Transfer” or “TAT”) adopted by the North American  
13 Securities Administrators Association (“NASAA”), provided that the agent is eligible and  
14 qualifies for registration through the Relicensing program and the broker-dealer has complied  
15 with all of the requirements of the Relicensing program with respect to the agent in a timely  
16 manner. Agent CRD registration through the Relicensing program shall not waive any rights of  
17 the Commissioner to proceed in any disciplinary proceeding or sanction provided for under the  
18 Code.

20 ~~(2)~~ (3) File an amendment to the Form U-4 through the CRD within 30 days when there  
21 are any changes to the information contained in the original Form U-4. If the Form U-4 is being  
22 amended due to a disciplinary occurrence, a copy of the amendment shall be filed with the  
23 Commissioner upon request.

25 ~~(3)~~ (4) Within 30 days after the termination of an individual as an agent, file the Uniform  
26 Termination Notice for Securities Industry Registration Form (Form U-5) through the CRD. The  
27

1 Form U-5 shall clearly state the reason(s) for termination. However, if an agent has been  
2 terminated for cause, the Form U-5 shall, upon request, be filed directly with the Commissioner.

3 A broker-dealer shall be responsible for the acts, practices, and conduct of an agent in  
4 connection with the purchase or sale of securities until such time as they have been properly  
5 terminated and the Form U-5 has been filed with the CRD of the NASDR.  
6

7 (c) A broker-dealer who is not subject to the provisions of subsection (b) shall:

8 (1) Upon the employment of an individual as an agent, file the Form U-4 with the  
9 Commissioner. The filing of Form U-4, with the Commissioner, does not constitute an automatic  
10 approval. Broker-dealers should not consider an agent registration approved until such approval  
11 has been received from this Department. If requested by the Commissioner, additional  
12 documentation or details pertaining to the Form U-4 must be filed directly with the  
13 Commissioner within 15 days from the date of the request. In accordance with Section 250.16,  
14 the Form U-4 may be abandoned if the Commissioner does not receive the requested information  
15 within the time prescribed.  
16

17 (2) File an amendment to the Form U-4 with the Commissioner within 30 days, when  
18 there are any changes to the information (including information relating to a disciplinary action)  
19 contained in the original Form U-4.  
20

21 (3) Within 30 days after the termination of employment of an individual as an agent,  
22 file the Form U-5 with the Commissioner. The Form U-5 shall clearly state the reason(s) for  
23 termination. A broker-dealer shall be responsible for the acts, practices, and conduct of an agent  
24 in connection with the purchase or sale of securities until such time as they have been properly  
25 terminated and the Form U-5 has been filed with the Commissioner.  
26

27 (4) If the fingerprints of an individual employed as an agent are not on file with the  
28

Commissioner, such broker-dealer shall file with the Form U-4 required under subsection (c)(1), a Fingerprint Card (Form BID-7) for such individual. Information about whether an individual's fingerprints are on file with the Commissioner may be obtained from any office of the Commissioner.

NOTE: Authority cited: Section 25610, Corporations Code. Reference: Section 25210, Corporations Code.

2. Section 260.211 is amended to read:

260.211. Broker-Dealer Application

(a) The application for a certificate as a broker-dealer pursuant to subsection (a) of Section 25211 of the Code and an amendment to such application pursuant to Section 260.241.4(a) shall be filed upon Form BD (Uniform Application for Broker-Dealer Registration) (17 CFR 249.501), modified as, and containing the additional information, required by subsection (b).

(b) Instructions for California.

The Instructions for completing Form BD for filing in California are as follows:

DEPARTMENT OF CORPORATIONS  
STATE OF CALIFORNIA  
INSTRUCTIONS FOR COMPLETING AND FILING FORM BD  
(UNIFORM APPLICATION FOR BROKER-DEALER  
REGISTRATION) (17 CFR 249.501)  
IN CALIFORNIA BY BROKER-DEALERS  
NOT FILING BY NOTIFICATION

(Only for Use in Connection With Applications and Amendments to Applications for Broker-Dealer Certificate Pursuant to Section 25211(a), Corporations Code, and Section 260.241.4, Title 10, California Code of Regulations)

PART I. FILING FEE AND MAILING ADDRESS.

The fee for filing an application for a certificate as a broker-dealer is \$300.00. Make

1 checks payable to DEPARTMENT OF CORPORATIONS and mail with Form BD to  
2 Department of Corporations, 980 9th Street, 5th Floor, Sacramento, CA 95814-2725. Fees are  
not refundable except pursuant to Section 250.15, Title 10, California Code of Regulations.

## 3 PART II. INSTRUCTIONS AS TO ARREST RECORDS

4 The following instructions applies only to initial applications:

5  
6 Business and Professions Code Section 461 prohibits all public agencies from requiring,  
7 on an initial application, an applicant to reveal a record of arrest that did not result in a  
8 conviction or plea of nolo contendere. Accordingly, questions regarding criminal disclosure  
9 should be modified in accordance with California law. For more detailed information on how to  
10 respond to these questions, applicants should refer to the separate instruction sheet, which is  
11 available from any of the Department's offices and the Department's homepage.

12 ~~Question 7G of Form BD must be modified, as set forth below, upon an initial~~  
13 ~~application because of the prohibitions of Section 461, Business and Professions Code:~~

14 ~~Insert after the word "item" the following:~~

15 ~~"other than a pending proceeding involving an arrest of such person?"~~

16 AN INITIAL APPLICATION WHICH IS NOT MODIFIED IN ACCORDANCE WITH  
17 THE ~~FOREGOING~~ SPECIAL INSTRUCTIONS WILL NOT BE RECEIVED FOR FILING BY  
18 THE DEPARTMENT AND WILL BE RETURNED WITHOUT PROCESSING.

## 19 PART III. ADDITIONAL INFORMATION.

### 20 1. Financial Statements:

21 (A) Attach a balance sheet as of a date within 45 days prior to the filing of the  
22 application, which need not be audited. However, if the balance sheet is not audited, there should  
23 be filed, in addition, an audited balance sheet as of the end of applicant's last fiscal year.

24 (B) Attach a calculation of the net capital and the ratio of net capital to aggregate  
25 indebtedness of the applicant, in accordance with Section 260.216.12 of Title 10 of the California  
26 Code of Regulations, as of the same date as the balance sheets submitted under Item (A) above.

27 (C) Attach copies of all currently effective subordination agreements. If any are  
28 substantially similar, attach one copy of the most standard form(s) and a schedule(s) showing the  
name and address of each lender, and the dollar value of the subordinated items on each  
agreement.

(D) Furnish the date applicant's fiscal year ends.

(E) Furnish applicant's minimum net capital requirement.

1           2. Organizational Information.

2           (A) If applicant is a corporation, attach copies of articles, by-laws, amendments and  
3 certification.

4           (B) If applicant is a partnership, attach partnership agreement and amendments.

5           (C) If applicant is a limited liability company, attach copies of its articles of organization  
6 and amendments.

7           ~~(C)~~ (D) If applicant will conduct business under a fictitious name, attach a certified copy  
8 of the Fictitious Business Name Statement required by Section 17910, Business and Professions  
9 Code.

10           3. Other Exhibits.

11           (A) Attach a completed Customer Authorization of Disclosure of Financial Records on  
12 Form QR 500.261.

13           (B) ~~Attach the name of applicant's worker's compensation insurance carrier or a copy of~~  
14 ~~the certificate of consent to self insure, if any. See Section 3700, Labor Code.~~

15           ~~(C)~~ Unless applicant is a California corporation, or unless already on file with the  
16 Commissioner, attach completed Consent to Service of Process on Form 260.165.

17           4. Exhibits Required by Applicants Not Registered Under The Securities Exchange Act of  
18 1934 (15 U.S.C. 78a et seq.).

19           (A) Attach a statement demonstrating compliance with the examination requirements of  
20 Section 260.217, Title 10, California Code of Regulations.

21           (B) Attach Fingerprint Cards (California Department of Justice Form BID-7) and  
22 Fingerprint Information Sheets (Form ADM 557) for each person listed on Schedule A, B or C of  
23 Form BD.

24           PART IV. INVESTMENT ADVISER ACTIVITIES.

25           The exemption in Section 25205 of the Corporations Code is not available if the broker-  
26 dealer is registered with the Securities and Exchange Commission as an investment adviser.  
27 Broker-dealers that are registered with the Securities and Exchange Commission should make a  
28 notice filing as required by Corporations Code Section 25230.1(b).

          If the broker-dealer performs investment advisory services for which it receives special  
compensation and proposes to rely upon the exemption in Section 25205 of the Corporations  
Code from the investment adviser certification requirements in Section 25230 of the  
Corporations Code, attach the following:

1. ~~a~~ A copy of Part II of the Form ADV (Uniform Application for Investment Adviser Registration) (17 CFR 279.1).

2. A list of all investment adviser representatives or associated persons. This list must be submitted on company letterhead and include the complete name of each investment adviser representative or associated person, their CRD number (if any), business address (mailing address, city, state and zip code), and an affirmative statement that all investment adviser representatives or associated persons on the list meet the qualification requirements set forth under Section 260.236, Title 10, California Code of Regulations. The affirmative statement must be signed, under penalty of perjury, by an officer of the Adviser.

3. Reporting fee of \$25 for each investment adviser representative or associated person.

Note: Social Security Account Numbers: In accordance with Section 7 of the Privacy Act of 1974 (PL. 93-579), the following information is provided in connection with the disclosure of a social security account number in the Schedules to Form BD.

Disclosure of a social security account number shall be considered a voluntary disclosure. A social security account number is solicited pursuant to one or more of the following authorities:

Sections 25211 and 25231, Corporations Code.

Sections 260.211 and 260.231, Title 10, California Code of Regulations.

Uses to be made of social security account numbers solicited by Form BD and the Schedules thereto are:

A. For all persons disclosing a social security account number, the number may be used, in addition to other information provided, to conduct a background investigation of the individual by the Department of Justice's Identification and Information Branch or by other federal, state or local law enforcement agencies.

B. The completed form, ~~including~~ except any disclosed social security account numbers, shall become a public record and available to members of the public pursuant to the provisions of the Public Records Act (Government Code Sections 6250 et seq.).

NOTE: Authority cited: Sections 25211(a) and 25610, Corporations Code. Reference: Sections 25205, 25210, 25211, 25230, 25231, 25231.1, and 25241 and 25608(p), Corporations Code.

3. Amend Section 260.211.1 to read:

260.211.1. Application for License by Notification

(a) An application for licensing by notification pursuant to Section 25211(b) of the Code shall be made upon the form specified in subsection (b). If the broker-dealer also engages in business as a investment adviser in this state and is not licensed as an investment adviser pursuant to Section 25230, it shall file with its application pursuant to subsection (b):

(1) a copy of ~~Part II~~ of the Form ADV (Uniform Application for Investment Adviser Registration) (17 CFR 279.1).

(2) A list of all investment adviser representatives or associated persons. This list must submitted on company letterhead and include the complete name of each investment adviser representative or associated person, their CRD number (if any), business address (mailing address, city, state and zip code), and an affirmative statement that all investment adviser representatives or associated persons on the list meet the qualification requirements set forth under Section 260.236, Title 10, California Code of Regulations. The affirmative statement must be signed, under penalty of perjury, by an officer of the Adviser.

(3) Reporting fee of \$25 for each investment adviser representative or associated person.

(b) An application pursuant to Section 25211(b) shall be in the following form and contain the information therein specified:

Mail to:  
State of California  
Department of Corporations  
980 9th Street, Suite 500  
Sacramento, CA 95814-2725

Fee: \$300  
File No. \_\_\_\_\_  
Date of Application \_\_\_\_\_

DEPARTMENT OF CORPORATIONS  
STATE OF CALIFORNIA

APPLICATION BY NOTIFICATION  
PURSUANT TO CORPORATIONS CODE SEC. 25211(b)  
FOR  
BROKER-DEALER CERTIFICATE



(Only for Use in Connection with Applications and Amendments to Applications for Broker-Dealer Certificate Pursuant to Section 25211(b), Corporations Code (Application by Notification), and Section 260.241.4, Title 10, California Code of Regulations.)

1. Date of Notice: \_\_\_\_\_
2. ( ) Original Notice                      ( ) Amended Notice
3. Name of Broker-Dealer    Address of Principal Office  
\_\_\_\_\_
4. Name and address of officer or partner of the broker-dealer who is to receive compliance and information communications from the Department and who is responsible for disseminating the same within the broker-dealer's organization.  
  
Name \_\_\_\_\_ Title \_\_\_\_\_  
Address \_\_\_\_\_ Telephone ( ) \_\_\_\_\_  
\_\_\_\_\_  
(See Corporations Code Section 25245)
5. The following representations are made to the Commissioner of Corporations by the broker-dealer:
  - a. The broker-dealer has a currently effective registration as a broker-dealer under the Securities Exchange Act of 1934 (15 USC 78a et seq.).
  - b. The broker-dealer is a member in good standing of the self-regulatory organizations checked:  
( ) NYSE    ( ) AMEX    ( ) PSE    ( ) NASD
  - c. Check the applicable box:  
  
( ) (1) The broker-dealer has never had a certificate as a broker-dealer, investment adviser or agent revoked, or an application for such a certificate denied, under the Corporate Securities Law of 1968 or any predecessor statute.  
  
( ) (2) The Commissioner has by order waived the denial or revocation of a certificate as a broker-dealer, investment adviser or agent heretofore issued to the broker-dealer.
6. Exhibits. Attach the following exhibits:
  - a. Unless the broker-dealer is a California corporation, or unless already on file with the Commissioner, attach a copy of Form 260.165 (Consent to Service of Process).

~~b. Attach clearly legible copies of Page 1, Item 2 on Page 2, Item 10 on Page 5 and Schedules A and if applicable Schedules B, C, D, DRP or E of Form BD (Uniform Application for Broker-Dealer Registration) (17 CFR 249.501) of the broker-dealer, as currently on file with the Securities and Exchange Commission.~~

b. Attach a completed Customer Authorization of Disclosure of Financial Records on Form QR 500.261.

NOTE: Social Security Numbers: In accordance with Section 7 of the Privacy Act of 1974 (PL. 93-579), the following information is provided in connection with the disclosure of social security account numbers in the Schedules to Form BD.

Disclosure of a social security account number shall be considered a voluntary disclosure. A social security account number is solicited pursuant to one or more of the following authorities:

Sections 25211 and 25231, Corporations Code.

Sections 260.211 and 260.231, Title 10, California Code of Regulations.

Uses to be made of social security account numbers, solicited by Form BD and the Schedules thereto are:

- A. For all persons disclosing social security account numbers, the number may be used, in addition to other information provided, to conduct a background investigation of the individual by the Department of Justice's Identification and Information Branch or by other federal, state or local law enforcement agencies.
- B. The completed form, including except any disclosed social security account numbers, shall become a public record and available to members of the public pursuant to the provisions of the Public Records Act (Government Code Sections 2650 et seq.).

~~C. Attach a completed Customer Authorization of Disclosure of Financial Records on Form QR 500.261.~~

7. Applicant's Minimum Net Capital Requirement: \$\_\_\_\_\_

8. Applicant's Fiscal Year Ends: \_\_\_\_/\_\_\_\_ (Month/Day)

9. Investment Adviser Activities:

If the broker-dealer performs investment advisory services for which it receives special compensation and proposes to rely upon the exemption in Section 25205 of the Corporations Code from the investment adviser certification requirements in Section 25230 of the Corporations Code, attach the following:

(a) a copy of ~~Part II~~ of the Form ADV (Uniform Application for Investment Adviser Registration) (17 CFR 279.1).

(b) A list of all investment adviser representatives or associated persons. This list must submitted on company letterhead and include the complete name of each investment adviser representative or associated person, their CRD number (if any), business address (mailing address, city, state and zip code), and an affirmative statement that all investment adviser representatives or associated persons on the list meet the qualification requirements set forth under Section 260.236, Title 10, California Code of Regulations. The affirmative statement must be signed, under penalty of perjury, by an officer of the Adviser.

(c) Reporting fee of \$25 for each investment adviser representative or associated person.

10. Execution:

By \_\_\_\_\_

\_\_\_\_\_  
(Title)

NOTE: Authority cited: Sections 25211(b) and 25610, Corporations Code. Reference cited: Sections 25205, 25210, 25211, 25231 and 25241, Corporations Code.

4. Amend Section 260.234 to read:

260.234. Compensation Based on Capital Gains

The provisions of Section 25234 (a)(1) of the Code shall not apply:

(a) ~~to any investment adviser, provided the conditions in paragraphs (b), (c), (d), and (e) of Rule 205-3 (17 CFR 275.205-3 (b)-(e)) under the Investment Advisers Act of 1940 (Section 80b-1 et seq.) are satisfied (for purposes of this subsection (a), the definitions in paragraph (g) of Rule 205-3 (17 CFR 275.205-3(g)) shall apply);~~ to any investment adviser, provided all of the following are met:

(1) the only clients entering into the investment advisory contract are “qualified clients” as defined in paragraph (d) of Rule 205-3 (17 CFR 275.205-3(d)) under the Investment

1 Advisers Act of 1940 (Section 80b-1 et. seq.),

2       (2) the condition in paragraph (b) of Rule 205-3 (17 CFR 275.205-3(b)) is satisfied  
3 (for purposes of this subsection (a), the definition in paragraph (d) of Rule 205-3 shall apply),  
4 and

5       (3) full disclosure of all material information regarding the proposed compensation  
6 arrangement is provided to each qualified client prior to entering into the contract; or

7       (b) to an investment advisory contract with an institutional investor as defined in  
8 subdivision (i) of Section 25102 of the Code or in Section 260.102.10 or Section 260.105.14 of  
9 these Rules, excluding for the purposes of this section any pension or profit sharing plan with  
10 gross assets of less than \$100,000,000 according to its most recent audited financial statement; or

11       (c) to the extension, renewal or performance of any investment advisory contract  
12 which, at the time it was entered into met the conditions of this Section 260.234 as then in effect  
13 or which was approved by order of the Commissioner.

14  
15  
16 NOTE: Authority cited: Sections 25234(a) and 25610, Corporations Code. Reference:  
17 Section 25234, Corporations Code.

18 5. Section 260.241 is amended to read:

19 260.241. Books and Records of Broker-Dealers.

20       (a) Every licensed broker-dealer shall make and keep current and accurate the  
21 following books and records relating to its business, and provide the Commissioner or his or her  
22 designee, complete access and opportunity to make copies of:

23       (1) Blotters (or other records of original entry) containing an itemized daily record of  
24 all purchases and sales of securities, all receipts and deliveries of securities (including certificate  
25 numbers), all receipts and disbursements of cash and all other debits and credits. Such records  
26  
27

1 shall show the account for which each such transaction was effected, the name and amount of  
2 securities, the unit and aggregate purchase or sale price (if any), the trade date, and the name or  
3 other designation of the person from whom purchased or received or to whom sold or delivered.

4 (2) Ledgers (or other records) reflecting all assets, liability, income, expense, and  
5 capital accounts.

6 (3) Ledger accounts (or other records) itemizing separately as to each cash and margin  
7 account of every customer, and of such broker-dealer and partners thereof, all purchases, sales,  
8 receipts and deliveries of securities for such account and all other debits and credits to such  
9 account.

10 (4) Ledgers (or other records) reflecting the following:

11 (A) Securities in transfer;

12 (B) Dividends and interest received;

13 (C) Securities borrowed and securities loaned;

14 (D) Monies borrowed and monies loaned (together with a record of the collateral  
15 therefor and any substitutions in such collateral);

16 (E) Securities failed to receive and failed to deliver; and

17 (vi) All long and all short stock record differences arising from the examination,  
18 count, verification and comparison, pursuant to Rule 260.241.2 and Rule 260.241.6 of these rules  
19 (by date of examination, count, verification and comparison showing for each security the  
20 number of shares long or short count difference).

21 (5) A securities record or ledger reflecting separately for each security as of the  
22 clearance dates all "long" or short" positions (including securities in safekeeping) carried by such  
23 broker-dealer for its account or for the account of its customers or partners and showing the

1 location of all securities long and the offsetting positions to all securities short, including long  
2 security count differences classified by the date of the physical count and verification in which  
3 they were discovered, and in all cases the name or designation of the account in which each  
4 position is carried.

5 (6) A memorandum of each brokerage order, and of any other instruction, given or  
6 received for the purchase or sale of securities, whether executed or unexecuted. Such  
7 memorandum shall show the terms and conditions of the order or instructions and of any  
8 modification or cancellation thereof, the account for which entered, the time of entry, the price at  
9 which executed and, to the extent feasible, the time of execution or cancellation. Orders entered  
10 pursuant to the exercise of a discretionary power by such broker-dealer, or any agent or employee  
11 thereof, shall be so designated.  
12

13  
14 For the purposes of this Clause (6), the following definitions apply:

15 (i) "Instruction" includes instructions between partners, agents, and employees of a  
16 broker-dealer.

17 (ii) "Time of entry" means the time when such broker-dealer transmits the order or  
18 instruction for execution or, if it is not so transmitted, the time when it is received.

19 (7) A memorandum of each purchase and sale of securities for the account of such  
20 broker-dealer showing the price and, to the extent feasible, the time of execution; and, in  
21 addition, where such purchase or sale is with a customer other than a broker-dealer, a  
22 memorandum of each order received showing the time of receipt, the terms and conditions of the  
23 order, and the account in which it was entered.  
24

25 (8) Copies of confirmations of all purchases and sales of securities and copies of  
26 notices of all other debits and credits for securities, cash and other items for the account of  
27

1 customers and partners of such broker-dealer.

2 (9) A record in respect of each cash and margin account with such broker-dealer  
3 containing the name and address of the beneficial owner of such account and, in the case of a  
4 margin account, the signature of such owner; provided, however, that in the case of a joint  
5 account or an account of a corporation, such records are required only in respect of the person or  
6 persons authorized to transact business for such account.  
7

8 (10) A record of all puts, calls, spreads, straddles and other options in which such  
9 broker-dealer has any direct or indirect interest or which such broker-dealer has granted or  
10 guaranteed, containing, at least, an identification of the security and the number of units  
11 involved.  
12

13 (11) A record of the proof of money balances of all ledger accounts in the form of trial  
14 balances and a record of the computation of aggregate indebtedness and net capital as of the trial  
15 balance date pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934 (17 CFR  
16 240.15c3-1); provided, however, that such computation need not be made by  
17

18 (A) any broker-dealer unconditionally exempt from Rule 15c3-1 by subparagraph  
19 (b)(1) or (b)(3) thereof; and  
20

21 (B) any member in good standing of a national securities exchange who acts as a floor  
22 broker (and whose activities do not require compliance with other provisions of Rule 15c3-1) and  
23 who elects to comply with the financial responsibility standards of subparagraph (b)(2) of Rule  
24 15c3-1; and  
25

26 (C) any broker-dealer electing to operate pursuant to subsection (f) of Rule 15c3-1,  
27 who shall make a record of the computations as set forth in said subsection (f). Such trial  
28 balances and computations shall be prepared currently at least once a month.

1 (12) A properly executed Uniform Application for Securities Industry Registration or  
2 Transfer Form ("Form U-4") for each agent employed.

3 If such agent has been registered as a representative of such broker-dealer or such  
4 person's employment has been approved by the National Association of Securities Dealers  
5 Regulation, Inc., or the New York Stock Exchange, the American Stock Exchange, or the Pacific  
6 Stock Exchange, ~~Inc.~~, the retention of a full, correct and complete copy of any and all  
7 applications for such registration or approval shall satisfy the requirements of this Clause (12).  
8

9 (13) A properly executed Uniform Termination Notice for Securities Industry  
10 Registration ("Form U-5") for each agent terminated.

11 (14) A current copy of Form U-4 and (when applicable) Form U-5 shall be maintained in  
12 this state at the location listed on Form U-4 as the Office of Employment.  
13

14 (b)

15 (1) This section does not require a member of the New York Stock Exchange, the  
16 American Stock Exchange, ~~or the Pacific Stock Exchange, Inc.~~ or a licensed broker-dealer who  
17 transacts a business in securities through the medium of any such member to make or keep such  
18 records of transactions cleared for such member or broker-dealer as are customarily made and  
19 kept by a clearing broker-dealer pursuant to the requirements of paragraph (a) of this section and  
20 of Section 260.241.1 of these rules; provided that the clearing broker-dealer has and maintains  
21 net capital of not less than \$25,000 and is otherwise in compliance with Rule 15c3-1 (17 CFR  
22 240.15c3-1).  
23

24 (2) This section shall not be deemed to require a member of the New York Stock  
25 Exchange, the American Stock Exchange, ~~or the Pacific Stock Exchange, Inc.~~ or a licensed  
26 broker-dealer who transacts a business in securities through the medium of any such member, to  
27  
28



1 make or keep such records of transactions cleared for such member or broker-dealer by a bank as  
2 are customarily made and kept by a clearing broker-dealer pursuant to the requirements of  
3 Sections 260.241 and 260.241.1 of these rules, provided that such member or broker-dealer  
4 obtains from such bank an agreement, in writing, to the effect that the records made and kept by  
5 such bank are the property of the member or broker-dealer, and that such books and records are  
6 available for examination by representatives of the Commissioner as specified in Section 25241  
7 of the Code, and that it will furnish to the Commissioner, upon demand, at such place designated  
8 in such demand, true, correct, complete and current copies of any or all of such records.  
9

10 Nothing herein contained shall be deemed to relieve such member or broker-dealer from  
11 the responsibility that such books and records be accurate and maintained and preserved as  
12 specified in Sections 260.241 and 260.241.1 of these rules.  
13

14 (c) This section does not require a broker-dealer to make or keep such records as are  
15 required by subsection (a) of this section reflecting the sale of United States Tax Savings Notes,  
16 United States Defense Savings Stamps, or United States Defense Savings Bonds, Series E, F and  
17 G.  
18

19 (d) The records specified in subsection (a) of this section shall not be required with  
20 respect to any cash transaction of \$100.00 or less involving only subscription rights or warrants  
21 which by their terms expire within 90 days after the issuance thereof.

22 NOTE: Authority cited: Sections 25241 and 25610, Corporations Code. Reference:  
23 Section 25241, Corporations Code.  
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